

BUSN5620-MIDTERM-MUSSELMAN

Student: _____

1. Which of the following is not a factor of production?
 - A. Wages.
 - B. Capital.
 - C. Labor.
 - D. Land.
2. Inflation is defined as:
 - A. The level of prices at full-employment.
 - B. An increase in the average level of prices.
 - C. An increase in relative prices.
 - D. An increase in the price of expensive items, such as cars.
3. When the additional satisfaction from a good declines as more of it is consumed, this illustrates the law of:
 - A. Diminishing marginal utility.
 - B. Exceptional marginal utility.
 - C. Increasing opportunity costs.
 - D. Declining demand.
4. The production possibilities curve represents the:
 - A. Potential output that could be produced.
 - B. Potential GDP per capita that could be attained.
 - C. Actual population growth that is occurring.
 - D. Actual GDP that is being produced.
5. If society lacks enough resources to satisfy all the desired uses of the resources, this is known as:
 - A. Laissez faire.
 - B. Market mechanism.
 - C. Government failure.
 - D. Scarcity.
6. If quantity demanded rises only slightly following a moderate price cut, then demand is:
 - A. Elastic.
 - B. Unitary elastic.
 - C. Inelastic.
 - D. Abnormal.
7. If the market mechanism causes the economy to arrive at the wrong mix of output, there is:
 - A. Laissez faire.
 - B. Government failure.
 - C. Market failure.
 - D. Mixed economy failure.
8. The response of quantity demanded to price changes is shown by:
 - A. Income elasticity of demand.
 - B. The determinants of demand.
 - C. Price elasticity of demand.
 - D. Opportunity cost.

Table 4.2 - Demand schedule for automobiles

Price of new autos (dollars per auto)	Number of new autos (millions per year)
\$24,000	2
\$20,000	4

The following is a hypothetical demand schedule for automobiles.

9. In Table 4.2, what is the total revenue from automobile sales at a price of \$20,000 per auto?
 - A. \$80 billion per year.
 - B. \$40 billion per year.
 - C. \$20 billion per year.
 - D. \$24 billion per year.
10. Ceteris paribus, economic growth involves an:
 - A. Expansion of production possibilities.
 - B. Increase in GDP due to inflation.
 - C. Increase in government spending.
 - D. Increase in imports.
11. A major goal of long-run economic policy is to:
 - A. Increase population.
 - B. Reduce transfer programs.
 - C. Increase food production.
 - D. Increase potential GDP.
12. An externality is:
 - A. A cost or benefit of a market activity that impacts a third party.
 - B. The private costs that are borne by an individual.
 - C. The cost of clean up paid for by the polluter.
 - D. A situation in which the government solution makes the outcome worse.
13. Which of the following would not cause the market supply of cell phones to change?
 - A. A reduction in the demand for cell phones causes the price to fall.
 - B. A cheaper technology for producing cell phones is developed.
 - C. Telecommunications are deregulated, and anyone can produce and sell cell phones.
 - D. Taxes levied on cell phone production are reduced.
14. Productivity measures:
 - A. The dollar value of investment.
 - B. Output per worker.
 - C. The total amount of goods produced in the United States.
 - D. Final goods minus intermediate goods.
15. The inflation-adjusted value of final goods and services produced in the United States measures:
 - A. Real GDP.
 - B. GDP per worker.
 - C. Per capita GDP.
 - D. Nominal GDP.
16. Nominal GDP is defined as the:
 - A. Value of output in constant prices.
 - B. Value of output in current dollars.
 - C. Dollar value of services but not goods.
 - D. Output produced by domestically owned factors of production regardless of where the factors are located.

17. Entrepreneurship refers to:
 - A. Computer technology.
 - B. Natural resources such as land and water.
 - C. Skilled labor.
 - D. People who are creators.
18. If government intervention fails to improve economic outcomes, the result is known as:
 - A. Market failure.
 - B. Mixed economy failure.
 - C. Government failure.
 - D. Laissez faire.
19. GDP is:
 - A. A measure of the per capita economic growth rate of the economy.
 - B. A physical measure of the capital stock of the economy.
 - C. The sum of the physical amounts of goods and services in the economy.
 - D. A dollar measure of output produced within a nation's borders during a given time period.
20. The goods and services purchased from foreign sources are:
 - A. Investment.
 - B. Exports.
 - C. Imports.
 - D. Income transfers.
21. Which of the following does not influence the price elasticity of demand?
 - A. The availability of substitutes.
 - B. The price of the item relative to your budget.
 - C. The costs of production.
 - D. Successful advertising.
22. People are unemployed if they are over 16 and not working due to:
 - A. A strike.
 - B. The lack of motivation to look for work.
 - C. The inability to find a job even though they are looking.
 - D. A two-week summer vacation.
23. Long-run economic growth policies focus on:
 - A. Moving the economy onto the production possibilities curve.
 - B. Shifting the production possibilities curve outward.
 - C. Moving the economy along the production possibilities curve.
 - D. Shifting the aggregate demand curve to the left.
24. If demand does not change, an increase in the number of sellers will cause equilibrium price to fall.
True False
25. Alternating periods of growth and contraction in real GDP define:
 - A. The business cycle.
 - B. Inflation.
 - C. Macro equilibrium.
 - D. Capitalism.
26. Fiscal and monetary policies are used to shift the:
 - A. Production possibilities curve.
 - B. Aggregate supply curve.
 - C. Real GDP curve.
 - D. Aggregate demand curve.

27. A monopoly is:
- A. Rarely affected by government regulation since there is only one firm in the industry.
 - B. Not likely to charge a high price because if it does consumers will switch to a different product.
 - C. A firm that produces the entire market supply of a particular good or service.
 - D. The most common type of U.S. business firm.
28. If output growth exceeds population growth for a country, then:
- A. Per capita GDP will decrease.
 - B. This country must have overcome the problem of scarcity.
 - C. GDP must have grown at a very rapid rate.
 - D. Average living standards will increase.
29. A decline in real GDP for at least two consecutive quarters is referred to as:
- A. A depression.
 - B. A recession.
 - C. Inflation.
 - D. Deflation.
30. Government income transfers are not included in the calculation of GDP because:
- A. Most of these payments are paid to foreign immigrants.
 - B. It is difficult to measure the value of these payments.
 - C. These payments do not reflect the production of goods and services.
 - D. These payments do not have an impact on the WHAT question.